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INDUSTRIAL PRODUCTION FIGURES

Product	February 1985	Feb. '85 over Feb. '84	Jan.-Feb. 85	% Jan.-Feb. 85 over Jan-Feb. 1984
Electricity (bil.kw.hrs)	134	100.1	281	103.3
Petroleum (inc. gas condensate) (mil.tons)	45.7	94	96.3	96.3
Natural Gas (bil.cu.mtrs)	50.3	107.7	105	109.1
Coal(mil.tons)	58.3	97	121	98.4
Steel (mil.tons)	11	88.7	23.7	92.2
Fertilizer (mil.tons)	2.2	92	4.9	98
Metal-cutting tools (mil. rubles)	204	104.6	401	103.6
Robots (1000s)	.9	---	1.7	100
Computer Technology (mil. rubles)	284	104	590	110
Tractors (mils.)	4.2	100	8.8	104
Paper (mil. tons)	430	92.7	908	93.7
Cement (mil. tons)	9	89.1	19.4	93.7
Meat(mil. tons)	.8	---	1.7	106.3
Margerine (1000 tons)	121	91	251	92.6

Watches(mils.)	5.4	98.2	10.8	96.4
Radios(mils.)	.7	---	1.4	93
Television sets (mils.)	.3	100	.6	100
Automobiles (1000s)	105	95.5	219	98.2

INDUSTRIAL PRODUCTION FIGURES FOR FEBRUARY 1985

The first hint that something was wrong with production in 1985 was indicated by the fact that in the statistical report published by the Soviets, they printed only the combined January-February production figures in absolute terms. There was no figure for February and there was no percentage change for January-February 1985 over January-February 1984. Consequently it was necessary to recalculate all the figures for February 1985, which was possible because we had been given the January 1985 figures, and the different percentage increase figures, or as it turned out, decrease figures. The results are shown in the accompanying table.

What is most striking is what happened to production in February. Reportedly it was a very cold month. In addition, 1984 was leap year, so there was one extra work day. Whatever the explanation, the fact is that production dropped sharply in most industries with the exception of natural gas and even there production as a percentage was below what it had been in the year earlier. In many ways production was strikingly similar to what had happened during the last years of Brezhnev's economic guidance. Of course, that is not meant to say that one month is equivalent to four years of a drop in production, but certainly Chernenko went out in a very disappointing way. It is the case however that both Andropov and Gorbachev did take office following a very dismal economic performance.

The difficulties in electricity in February, particularly given how cold it was and how much more important therefore it was that electricity be readily available helps to explain why the Minister of Electricity was fired. Similarly, the drop in petroleum production was sharper than usual. Again, this may be due to the cold weather but if not it does portend considerable difficulties ahead.

CURRENCY FIGURES

Rubles Purchased Per 100	March 1984	Feb. 1985	March 1985
Austrian shilling	4.28	3.90	3.83
U.K. pound	113.57	98.44	98.43
W. German mark	30.15	27.40	26.92
U.S. dollar	76.85	89.75	90.80
French franc	9.75	8.98	8.81
Japanese yen	.346	.342	.348
Italian lira	.0484	.0446	.0429
Swiss franc	36.34	32.13	31.65

According to the currency exchange rates released by Gosplan for March 1985, the Austrian shilling, U.K. pound, W. German mark, French franc, Italian lira and Swiss franc all decreased over the last month. These same currencies have also decreased over the last year. Only the U.S. dollar and Japanese yen have increased over the last year and last month.

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CORPORATE SPONSOR SESSION ON EASTERN EUROPE

The last corporate sponsor session of the year will be held on May 7. It will focus on the interrelationship between Eastern European countries. As a copy of the enclosed program indicates, we will focus not only on questions of debt but also on economic reform in several of the East European countries.

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ARDEN HOUSE - THE NINTH ANNUAL CONFERENCE

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The conference at Arden House was unusually interesting this year. Given the death of Chernenko and the apparently new, improved relationship between the United States and the Soviet Union, it was not surprising that there was a considerable amount to discuss. In fact, one of the panelists did indicate that there would be a meeting this year between President Reagan and General Secretary Gorbachev. Subsequently that made the headlines on Tuesday around the world.

The next Arden House conference has been scheduled for March 21-23 1986. We cannot guarantee that there will be another change of leadership in Soviet Union as

there has been for the last three years, but it nonetheless promises to be an interesting session and we urge you to mark your calendars now.

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THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editors, Marshall I. Goldman and Jean Monahan.

RRC @ 1985

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Adam B. Ulam

THE WASHINGTON POST

After The Old Men

Few events in modern Soviet history have caused as little surprise, either to the world or, one dares to say, to his colleagues, as the death of Konstantin Ustinovich Chernenko. Already seriously ailing at the time of his election as general secretary in February 1984, Chernenko was obviously critically ill for the past few weeks, and it was only a question of time before the 10 oligarchs of the Politburo would be electing a new head of the Soviet regime.

Let us review this rather weird—not only to a Westerner, but to a Russian man in the street—sequence. Leonid Brezhnev, although selected general (then called first) secretary in 1964, established his position as more than just first among equals only at the end of the '60s. Under him, the Soviet system congealed into a classical oligarcho-bureaucratic pattern. Members of the ruling elite, unless they were personal rivals of Brezhnev or uncompromising enemies of his policies, could feel secure in their jobs, no matter what their age or, short of complete debility, their physical condition.

Doubtless this situation arose as a reaction to what had been happening under Stalin—brutal and frequent purges of even the highest officials—and under Khrushchev, with his highhanded and whimsical ways with his Politburo colleagues.

The Brezhnev pattern thus led inevitably to the top ruling group's becoming a gerontocracy. As some of its members passed away, they tended to be replaced by Brezhnev's old cronies, usually close in age to the man they replaced. When Prime Minister Alexei Kosygin died at 76, he was replaced by Nikolai Tikhonov, one year younger, still hale and hearty in his job and in the Politburo at 80.

It is a mystery how a youngster in his forties like Mikhail Gorbachev managed to get on the Politburo in the late '70s. One possible explanation is that his job then—secretary of the Central Committee in charge of agriculture—is one of the most taxing and, usually, most unrewarding in the entire Soviet structure.

With Brezhnev visibly failing during his last two years, collective leadership took on a new meaning: the 13 or so full members of the Politburo became in fact joint proprietors of a vast country. Their own job security became the uppermost consideration, shaping their personnel policies and affecting strongly their overall views on politics and policy. With Brezhnev's death, his elderly colleagues proposed to continue the same pattern: to select as his successor a man who would be in fact chairman of the board, rather than a real boss like the younger Brezhnev, not to mention Khrushchev or (God forbid!) Stalin.

By then it had become almost a rule that a candidate for the post had to meet two preliminary conditions: he had to be a full member of the Politburo and a secretary of the Central Committee. Three people in November of 1982 answered to those qualifications: 71-year-old Chernenko, 52-year-old Gorbachev and 68-year-old Yuri Andropov. Chernenko had long been a close associate of Brezhnev and undoubtedly his personal choice for the succession, something which obviously did not work in his favor. Gorbachev was too young. And so Andropov was chosen, though his colleagues must have known he was already in frail health.

There obviously followed some rather involved maneuvering within the ruling elite, because the office of chairman of the Supreme Presidium—president of the U.S.S.R.—remained unfilled until the spring. In itself, the office is mostly ceremonial, but Brezhnev chose to add it to his other duties in 1977. Were there attempts to foist the office on Chernenko or Gorbachev in exchange for their laying down the secretarial job and thus barring themselves from succession?

In any case, the presidency was bestowed on Andropov in the spring of '83, when it already must have been known that he was not merely ailing but mortally ill. At the same time the pool of possible successors was slightly increased by making 60-year-old Grigori Romanov, until then the boss of Leningrad, a secretary of the Central Committee. With Andropov's prolonged "cold" and then death, the logical choice seemed to lie between Gorbachev and Romanov. But the latter, known to be a harsh and authoritarian man even by Soviet standards, evidently did not endear himself to his colleagues in his new position, and the choice fell again on an aged invalid who had previously been bypassed.

This is the background of the elevation of Gorbachev. With Romanov unacceptable, he was the only possible choice. The Soviet Union is now headed by a man who, unlike the rest of his fellow oligarchs, was too young to serve in World War II and who was barely more than a boy when Stalin died in 1953. Other than that, we have little on which to speculate concerning his views and probable policies.

Gorbachev Is in a Hurry—to Do What?

By MARSHALL I. GOLDMAN

Even as general secretary, it must be remembered, he will remain but the first among equals unless he manages to build up his power base, bring his own people into the Politburo and secretariat, and thus put his own stamp on domestic and foreign policy. Barring that, his colleagues would no doubt try to keep him from becoming a real boss. But in view of the age of most of them, it is quite likely that, in a year or two, we should be able to speak of the real beginning of the Gorbachev era and to see, rather than just guess, what will be its impact on the Soviet economy (the likeliest sphere for a thoroughgoing reform in the near future), on foreign relations and on other areas of policy.

Presumably a younger man could be expected to be impatient with the immobilism that has characterized the Soviet economy and society during the last decade or so and to be inclined to take a fresh look at the risks and costs of the Soviets' expansionism and arms buildup. We must certainly hope so, but let us be cautious when it comes to predictions. The Soviet rulers have a knack for surprising us, and their own people, and not always in a pleasant sense.

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Based on his speed in assuming the post of general secretary of the Communist Party, Mikhail S. Gorbachev appears to be a man in a hurry. On accepting his position he immediately outlined a rough blueprint of the economic actions that he presumably plans to take. But Gorbachev may find that it is easier to manipulate the Politburo than the economy, and that he may have to proceed at a considerably more cautious pace than some of the more optimistic proponents of economic reform in the Soviet Union would like.

For that matter, it is unclear at this point exactly what it is that Gorbachev has in mind for the future. A look at his speech accepting the post of general secretary, as well as some earlier speeches, suggests that he is very much aware that there is a problem. However, his solutions, while potentially far-reaching, appear to be inconsistent and politically too ambitious.

Beginning in December, 1984, Gorbachev began to call for a "profound transformation in the economy." He repeated that sentiment in his acceptance speech, but it is unclear whether he means increasing or decreasing centralization.

For example, his earlier speeches also emphasize the need for "intensive development of the economy," a code phrase for more centralization and discipline—precisely the direction also advocated by Yuri V. Andropov, Gorbachev's mentor.

By cracking down on alcoholism, absenteeism and corruption, Andropov vividly demonstrated how much slack there was in the economy, and output increased immediately. But now much of the most easily corrected waste and indolence has been remedied. So except for some continuing waste in the production of crude oil, where production actually declined in 1984, a renewed assault by Gorbachev on the lack of discipline is not likely to lead to any marked improvement.

This does not mean that there is no waste; it means only that it resists the conventional tactics used to eliminate it.

However, while an emphasis on discipline and centralization may bring about some increase in the production of the existing product mix of the Soviet economy, the economic challenge for the Soviet Union lies in a different direction. Producing more machine tools and steel is hardly the biggest challenge facing the Soviet Union. (The Russians already produce three to four times more machine tools, and 50% more steel, than the United States.)

Instead, what the Soviet Union needs is to master the production of biotechnology and high-technology products in the civilian economy. For instance, the gap between the sophistication of computer production in the Soviet Union and the United States actually seems to be growing.

Unfortunately, the products of the new high-technology generation do not seem to flourish in an environment of increased discipline and centralization. If anything, what is needed is *decentralization*, particularly of investment, and more independence for factory managers and enterprises.

Gorbachev seems sensitive to this problem. Along with his call for "the intensification of the economy" is a call for "expanding the rights (and) enhancing the independence of enterprises." This stirs thoughts of the Hungarian reforms, and even the more heretical Chinese reforms. Yet Gorbachev can't walk down the street in two directions at once. Increased centralization and discipline do not facilitate independence and initiative.

Because of Gorbachev's "youth"—it is nice to think that someone who is 54 is regarded as young—we are predisposed to anticipate that he will be a reformer. But the words and record of the bureaucrats with whom he must work are not very promising. They have successfully managed to frustrate and abort all reforms introduced by previous Soviet leaders.

Nor, for that matter, is it necessarily true that the young make the best reformers. In fact, in recent years some of the most dramatic reforms have come from older men such as Pope John XXIII, Deng Xiaoping and Ronald Reagan. Having less to lose, they seem more willing to risk structural overhaul.

Gorbachev may yet bring about the reform that he seems to feel is necessary, but he must first clarify what he wants, and then convince himself and his colleagues that his alternative is feasible, and not threatening to the power and the prerogatives of the members of the *nomenklatura*—his fellow bureaucrats.

Even for a man in a hurry, that will not be easy.

Marshall I. Goldman, professor of economics at Wellesley College, is associate director of the Russian Research Center at Harvard University.

THE NEW YORK TIMES, TUESDAY, MARCH 12, 1985

Will Gorbachev Be Brezhnev II?

By Marshall I. Goldman

CAMBRIDGE, Mass. — The rapid selection of Mikhail S. Gorbachev as General Secretary — at 54, he is the Politburo's youngest member — may not be as sharp a departure from past Soviet experience as it first appears.

Leonid I. Brezhnev was only 57 when he assumed power, and his 18-year record showed nothing to indicate that relative youth, and vigor, is sufficient to make possible radical changes in domestic and foreign policy. This suggests that the system is more important then a leader's age and vitality in determining change.

Mr. Gorbachev, a relative youngster (Politburo members' average age is 67), may well reign for two decades or more — time for yet another

cult of personality, and the abuses associated with it, to arise.

His ascent is marked by great expectations. He was closely associated with Yuri V. Andropov's reform efforts, and, as recently as December, he urged "a profound transformation in the economy and in the entire system of social relations." However, he is a lifelong party member, a product of the system, and in that speech he called for "an intensification of social production . . . and the economy," usually a catch phrase meaning "more discipline." He said there was a need to continue the "Stakhanovite tradition," a labor-speedup movement of the 1930's that most Soviet economists had assumed to be discredited because of abuses it generated.

Mr. Andropov and Konstantin U. Chernenko were incapacitated for parts of their terms. Mr. Chernenko, a so-called weak leader, was not wholly weak, and Mr. Andropov, reputedly a strong leader, did not have much to show for his brief tenure. What is surprising is that any change took place under the infirm Mr. Chernenko, who died at 73. But the change was only moderate, not fundamental, and within the system's boundaries.

At first, most observers wrote Mr. Chernenko off as simply a standby leader, but he was a man of surprises — something not expected of a mere camp follower of his patron, Mr. Brezhnev. Mr. Chernenko's experience had been embarrassingly thin: virtually no administrative exposure in the Government and party. Even worse, he was one of the few party leaders of his generation who avoided World War II military duty. But in a system where party and patronage are more important than experience and ability, it was assumed he would succeed Mr. Brezhnev. In naming Mr. Andropov, the Politburo apparently concluded that the country's economy and morale had sunk so desperately during the last four years of Mr. Brezhnev's life that a more dynamic figure than Mr. Chernenko was necessary.

Thus, the Chernenko accession, a mere 15 months after his rejection, was another surprise, particularly in view of his poor physical and political health. What had he done in the interim to qualify? Doubtless, he was picked because the Politburo could not agree on anyone else.

The next surprise was that during Mr. Chernenko's 13-month tenure, the Politburo fired the military chief of staff, Marshal Nikolai V. Ogarkov; prevented Erich Honecker, the East German leader, from visiting West Germany; sought to re-establish better relations with China, and decided to resume strategic-arms talks with the United States. Equally surprising — to those who expected a return to the easygoing morality of the Brezhnev days — was that the crackdown on party and state corruption Mr. Andropov had inaugurated kept going.

In the economic sphere, Mr. Chernenko proved unsurprising. The economy, more than anything else, needs strong leadership and he was wanting. He undertook no new significant initiatives, certainly none that helped his nation master the production, much less development, of high technology. Moreover, oil production declined for the first time since World War II. Nor is the sixth poor grain harvest in a row a cause of pride. And all of this contrasted with innovative, exhilarating results achieved by China, which until recently had been saddled with similar problems.

The rapidity of Mr. Gorbachev's appointment indicates he may be able to consolidate power sooner than expected. If he masters the system — rather than its mastering him — this may augur bold moves in domestic and foreign policy. Don't bet on it.

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